

CITY OF IDAHO CITY, IDAHO

Report on Audited
Basic
Financial Statements
and
Supplemental Information

For the Year Ended September 30, 2018

Table of Contents

	<u>Page</u>
Independent Auditor's Report	3
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Position	6
Statement of Activities	7
Fund Financial Statements:	
Balance Sheet – Governmental Funds	8
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position	9
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	10
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	11
Statement of Net Position – Proprietary Funds	12
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	13
Statement of Cash Flows – Proprietary Funds	14
Notes to Financial Statements	16
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Employer's Share of Net Pension Liability	30
Schedule of Employer Contributions	31
Budgetary (GAAP Basis) Comparison Schedule:	
General Fund	32
Roads and Streets	33
Reconciliation of the Budgetary (GAAP Basis) Comparison Schedule to the Statement of Revenues, Expenditures, and Changes in Fund Balances – General Fund	34
Notes to Required Supplementary Information	35

SUPPLEMENTAL INFORMATION

Supplemental Schedule of Revenues by Source – Budget
(GAAP Basis) and Actual – General Fund 36

Supplemental Schedule of Expenditures by Object of
Expenditure – Budget (GAAP Basis) and Actual – General Fund 37

FEDERAL REPORT

Independent Auditor’s Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on
an Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards* 38



Certified Public Accountants

James Washburn, CPA
Weston Flamm, CPA
Cassie Zattiero, CPA

812-B 12th Ave. South
P.O. Box 876
Nampa, ID 83653-0876
208 466-2493
FAX 208 467-2000
www.BaileyCPAs.com

Independent Auditor’s Report

To the City Council
City of Idaho City, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of **City of Idaho City, Idaho** (the City), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business-type Activities	Qualified
General Fund	Unmodified
Roads and Streets Fund	Unmodified
Water Fund	Qualified
Sewer Fund	Qualified
Water Bond Fund	Unmodified

Basis for Qualified Opinions on Governmental Activities, Business-type Activities, Water Fund, and Sewer Fund

Management has not performed or contracted to perform the actuarial calculations for other post-employment benefits and, accordingly, has not considered the City's other post-employment benefit liability. Accounting principles general accepted in the United States of America require that a liability be recorded for other post-employment benefits, which would initially decrease net position, increase liabilities, and increase expenses in each of the affected opinion units. The amount by which this departure would affect net position, liabilities, and expenses in the affected opinion units is not reasonably determinable.

Qualified Opinions

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinions on Governmental Activities, Business-type Activities, Water Fund, and Sewer Fund" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, water fund, and sewer fund of **City of Idaho City, Idaho**, as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the general fund, roads and streets fund, and the water bond fund of **City of Idaho City, Idaho**, as of September 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of employer's share of net pension liability, schedule of employer contributions, and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The City has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **City of Idaho City, Idaho's** basic financial statements. The supplemental schedule of revenues by source – budget and actual and the supplemental schedule of expenditures by object of expenditure – budget and actual are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedule of revenues by source – budget and actual and the supplemental schedule of expenditures by object of expenditure – budget and actual have not been subjected to the auditing procedures

applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2019, on our consideration of **City of Idaho City, Idaho's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Bailey & Co.

Nampa, Idaho
June 24, 2019

City of Idaho City, Idaho
Statement of Net Position
September 30, 2018

	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 193,922	\$ 515,093	\$ 709,015
Property Taxes Receivable, Net	12,698	0	12,698
Accounts Receivable, Net	2,126	63,261	65,387
Due from Other Governments	16,816	7,863	24,679
Prepaid Items	959	956	1,915
Total Current Assets	<u>226,521</u>	<u>587,173</u>	<u>813,694</u>
Noncurrent Assets:			
Restricted Cash	0	27,063	27,063
Capital Assets:			
Land and Construction in Progress	97,755	3,243,638	3,341,393
Buildings, Net	168,828	331,959	500,787
Equipment, Net	83,453	126,485	209,938
Improvements, Net	787,071	519,575	1,306,646
Total Noncurrent Assets	<u>1,137,107</u>	<u>4,248,720</u>	<u>5,385,827</u>
Total Assets	<u>1,363,628</u>	<u>4,835,893</u>	<u>6,199,521</u>
Deferred Outflows			
Pension	<u>34,724</u>	<u>46,709</u>	<u>81,433</u>
Liabilities			
Current Liabilities:			
Accounts Payable	1,931	2,060	3,991
Salaries and Benefits Payable	3,079	3,065	6,144
Accrued Interest	295	2,897	3,192
Long-term Liabilities:			
Due Within One Year:			
Compensated Absences	2,777	7,297	10,074
Bonds and Municipal Leases	9,995	21,859	31,854
Due in More than One Year:			
Bonds and Municipal Leases	39,886	2,006,951	2,046,837
Net Pension Liability	36,633	49,279	85,912
Total Liabilities	<u>94,596</u>	<u>2,093,408</u>	<u>2,188,004</u>
Deferred Inflows			
Pension	<u>6,837</u>	<u>9,197</u>	<u>16,034</u>
Net Position			
Net Investment in Capital Assets	1,087,226	2,192,847	3,280,073
Restricted	61,373	27,063	88,436
Unrestricted	148,320	560,087	708,407
Total Net Position	<u>\$ 1,296,919</u>	<u>\$ 2,779,997</u>	<u>\$ 4,076,916</u>

The accompanying notes are an integral part of the financial statements.

City of Idaho City, Idaho
Statement of Activities
For the Year Ended September 30, 2018

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental Activities:							
General Administration	\$ 105,627	\$ 19,680	\$ 1,900	\$ 0	\$ (84,047)	\$ 0	\$ (84,047)
Public Safety	122,603	1,041	1,496	0	(120,066)	0	(120,066)
Roads and Streets	54,252	0	0	0	(54,252)	0	(54,252)
Culture and Recreation	42,849	5,675	0	5,651	(31,523)	0	(31,523)
Interest on Long-term Debt	1,791	0	0	0	(1,791)	0	(1,791)
Total Governmental Activities	<u>327,122</u>	<u>26,396</u>	<u>3,396</u>	<u>5,651</u>	<u>(291,679)</u>	<u>0</u>	<u>(291,679)</u>
Business-type Activities:							
Water	314,833	259,475	0	0	0	(55,358)	(55,358)
Sewer	135,625	162,750	0	7,863	0	34,988	34,988
Water Bond	0	0	0	165,894	0	165,894	165,894
Total Business-type Activities	<u>450,458</u>	<u>422,225</u>	<u>0</u>	<u>173,757</u>	<u>0</u>	<u>145,524</u>	<u>145,524</u>
Total Primary Government	<u>\$ 777,580</u>	<u>\$ 448,621</u>	<u>\$ 3,396</u>	<u>\$ 179,408</u>	<u>(291,679)</u>	<u>145,524</u>	<u>(146,155)</u>
General Revenues and Special Items:							
Property Taxes					138,075	0	138,075
Intergovernmental					78,143	0	78,143
Other					8,472	2,281	10,753
Disposal of Capital Assets					11,685	0	11,685
Unrestricted Investment Earnings					1,291	1,240	2,531
Disposal of Government Operations					(18,566)	0	(18,566)
Total General Revenues and Special Items					<u>219,100</u>	<u>3,521</u>	<u>222,621</u>
Change in Net Position					(72,579)	149,045	76,466
Net Position - Beginning					1,369,498	2,630,952	4,000,450
Net Position - Ending					<u>\$ 1,296,919</u>	<u>\$ 2,779,997</u>	<u>\$ 4,076,916</u>

The accompanying notes are an integral part of the financial statements.

City of Idaho City, Idaho
 Balance Sheet -
 Governmental Funds
 September 30, 2018

	General	Roads and Streets	Total Governmental Funds
Assets			
Cash and Cash Equivalents	\$ 140,771	\$ 53,151	\$ 193,922
Property Taxes Receivable, Net	9,392	3,306	12,698
Accounts Receivable, Net	2,126	0	2,126
Due from Other Governments	11,441	5,375	16,816
Prepaid Items	764	195	959
Total Assets	<u>164,494</u>	<u>62,027</u>	<u>226,521</u>
Deferred Outflows			
	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets and Deferred Outflows	<u>\$ 164,494</u>	<u>\$ 62,027</u>	<u>\$ 226,521</u>
Liabilities			
Accounts Payable	\$ 1,893	\$ 38	\$ 1,931
Salaries and Benefits Payable	2,658	421	3,079
Total Liabilities	<u>4,551</u>	<u>459</u>	<u>5,010</u>
Deferred Inflows			
Unavailable Property Taxes	<u>8,783</u>	<u>3,092</u>	<u>11,875</u>
Fund Balances			
Nonspendable	764	195	959
Restricted	0	58,281	58,281
Unassigned	150,396	0	150,396
Total Fund Balances	<u>151,160</u>	<u>58,476</u>	<u>209,636</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 164,494</u>	<u>\$ 62,027</u>	<u>\$ 226,521</u>

The accompanying notes are an integral
 part of the financial statements.

City of Idaho City, Idaho
 Reconciliation of the Balance Sheet of the Governmental
 Funds to the Statement of Net Position
 September 30, 2018

Total Fund Balances - Governmental Funds \$ 209,636

Amounts reported for governmental activities in the Statement of Net Position are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. Capital assets consist of the following:

Land and Construction in Progress	\$ 97,755	
Buildings, Net of \$416,164 Accumulated Depreciation	168,828	
Improvements, Net of \$428,629 Accumulated Depreciation	787,071	
Equipment, Net of \$67,733 Accumulated Depreciation	<u>83,453</u>	
		1,137,107

Property taxes receivable will be collected this year, but are not available soon enough to pay for current period expenditures, and therefore, are deferred in the fund statements. 11,875

In the government-wide statements, deferred inflows represent acquisitions of net position that are applicable to a future reporting period and deferred outflows represent the consumption of resources that are applicable to a future reporting period. These deferrals consist of:

Deferred Outflows Related to Net Pension Liability	34,724	
Deferred Inflows Related to Net Pension Liability	<u>(6,837)</u>	
		27,887

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Accrued Interest	(295)	
Municipal Leases	(49,881)	
Compensated Absences	(2,777)	
Net Pension Liability	<u>(36,633)</u>	
		<u>(89,586)</u>

Net Position of Governmental Activities \$ 1,296,919

The accompanying notes are an integral
 part of the financial statements.

City of Idaho City, Idaho
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Governmental Funds
For the Year Ended September 30, 2018

	General	Roads and Streets	Total Governmental Funds
Revenues			
Property Taxes	\$ 99,477	\$ 38,670	\$ 138,147
Licenses and Permits	9,053	0	9,053
Rent	7,175	0	7,175
Intergovernmental	55,038	23,105	78,143
Grants and Contributions	9,047	0	9,047
Interest	1,291	0	1,291
Other	18,640	0	18,640
Total Revenues	199,721	61,775	261,496
Expenditures			
Current:			
General Administration	94,344	0	94,344
Public Safety	108,411	0	108,411
Roads and Streets	0	49,885	49,885
Culture and Recreation	1,892	0	1,892
Debt Service:			
Principal	240	7,883	8,123
Interest	80	1,416	1,496
Capital Outlay	6,126	59,238	65,364
Contingency	0	359	359
Total Expenditures	211,093	118,781	329,874
Excess (Deficiency) of Revenues Over Expenditures	(11,372)	(57,006)	(68,378)
Other Financing Sources (Uses)			
Debt Proceeds	0	49,738	49,738
Disposal of Capital Assets	2,200	9,500	11,700
Total Other Financing Sources (Uses)	2,200	59,238	61,438
Special Items:			
Disposal of Government Operations	(18,566)	0	(18,566)
Net Change in Fund Balances	(27,738)	2,232	(25,506)
Fund Balances - Beginning	178,898	56,244	235,142
Fund Balances - Ending	\$ 151,160	\$ 58,476	\$ 209,636

The accompanying notes are an integral
part of the financial statements.

City of Idaho City, Idaho
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balances of the
 Governmental Funds to the Statement of Activities
 For the Year Ended September 30, 2018

Total Net Change in Fund Balance - Governmental Funds \$ (25,506)

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their useful lives as depreciation expense. The amounts in the current year consist of:

Capital Outlay	\$ 61,333	
Depreciation	<u>(60,954)</u>	379

Losses on the sale of capital assets are not reported in governmental funds as expenditures. However in the Statement of Activities, the loss on the sale of capital assets is an expense. (15)

Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are, instead, counted as unavailable property taxes. They are, however, recorded as revenues in the Statement of Activities. (72)

Repayment of municipal leases is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the Statement of Net Position. Accrued interest is also not a current financial use and does not affect fund balance but is reported in the government-wide statements.

Principal Payments	8,123	
Change in Accrued Interest	<u>(295)</u>	7,828

Municipal arrangements are considered a source of financing, but the lease obligation is recorded as a liability in the Statement of Net Position. (49,738)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated Absences Liability Changes	792	
Net Pension Liability and Related Deferral Changes	<u>(6,247)</u>	<u>(5,455)</u>

Change in Net Position of Governmental Activities \$ (72,579)

The accompanying notes are an integral
 part of the financial statements.

City of Idaho City, Idaho
Statement of Net Position -
Proprietary Funds
September 30, 2018

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Water Bond	Total
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 515,093	\$ 0	\$ 0	\$ 515,093
Accounts Receivable, Net	29,232	34,029	0	63,261
Due From Other Governments	0	7,863	0	7,863
Internal Balances	232,559	0	0	232,559
Prepaid Items	564	392	0	956
Total Current Assets	<u>777,448</u>	<u>42,284</u>	<u>0</u>	<u>819,732</u>
Noncurrent Assets:				
Restricted Cash	27,063	0	0	27,063
Land and Construction in Progress	15,726	76,520	3,151,392	3,243,638
Depreciable Assets, Net	465,063	512,956	0	978,019
Total Noncurrent Assets	<u>507,852</u>	<u>589,476</u>	<u>3,151,392</u>	<u>4,248,720</u>
Total Assets	<u>1,285,300</u>	<u>631,760</u>	<u>3,151,392</u>	<u>5,068,452</u>
Deferred Outflows				
Pension	32,830	13,879	0	46,709
Liabilities				
Current Liabilities:				
Accounts Payable	1,008	812	240	2,060
Salaries and Benefits Payable	2,166	899	0	3,065
Internal Balances	0	8,938	223,621	232,559
Accrued Interest	2,763	134	0	2,897
Compensated Absences	5,106	2,191	0	7,297
Lease Payable	2,000	2,000	0	4,000
Bonds Payable	17,859	0	0	17,859
Total Current Liabilities	<u>30,902</u>	<u>14,974</u>	<u>223,861</u>	<u>269,737</u>
Noncurrent Liabilities:				
Lease Payable	12,612	12,611	0	25,223
Bonds Payable	180,925	0	1,800,803	1,981,728
Net Pension Liability	34,636	14,643	0	49,279
Total Liabilities	<u>259,075</u>	<u>42,228</u>	<u>2,024,664</u>	<u>2,325,967</u>
Deferred Inflows				
Pension	6,464	2,733	0	9,197
Net Position				
Net Investment in Capital Assets	267,393	574,865	1,350,589	2,192,847
Restricted for Debt Service	27,063	0	0	27,063
Unrestricted	758,135	25,813	(223,861)	560,087
Total Net Position	<u>\$ 1,052,591</u>	<u>\$ 600,678</u>	<u>\$ 1,126,728</u>	<u>\$ 2,779,997</u>

The accompanying notes are an integral part of the financial statements.

City of Idaho City, Idaho
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
For the Year Ended September 30, 2018

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Water Bond	Total
Operating Revenues				
Charges for Services	\$ 259,475	\$ 162,750	\$ 0	\$ 422,225
Other Revenue	1,812	469	0	2,281
Total Operating Revenues	<u>261,287</u>	<u>163,219</u>	<u>0</u>	<u>424,506</u>
Operating Expenses				
Personnel Services	83,555	36,095	0	119,650
Personnel Benefits	45,786	17,480	0	63,266
Legal and Professional	24,112	8,145	0	32,257
Supplies	11,113	5,160	0	16,273
Utilities	18,542	7,718	0	26,260
Insurance	5,336	5,336	0	10,672
Other Services and Charges	13,006	5,227	0	18,233
Repairs and Maintenance	49,769	13,513	0	63,282
Depreciation	53,699	36,821	0	90,520
Total Operating Expenses	<u>304,918</u>	<u>135,495</u>	<u>0</u>	<u>440,413</u>
Operating Income (Loss)	<u>(43,631)</u>	<u>27,724</u>	<u>0</u>	<u>(15,907)</u>
Nonoperating Revenues (Expenses)				
Investment Earnings	721	519	0	1,240
Interest Expense	(9,915)	(130)	0	(10,045)
Total Nonoperating Revenues (Expenses)	<u>(9,194)</u>	<u>389</u>	<u>0</u>	<u>(8,805)</u>
Income (Loss) Before Transfers	<u>(52,825)</u>	<u>28,113</u>	<u>0</u>	<u>(24,712)</u>
Transfers and Capital Contributions				
Capital Contributions	0	7,863	165,894	173,757
Net Transfers and Capital Contributions	<u>0</u>	<u>7,863</u>	<u>165,894</u>	<u>173,757</u>
Change in Net Position	<u>(52,825)</u>	<u>35,976</u>	<u>165,894</u>	<u>149,045</u>
Net Position - Beginning	1,105,416	564,702	960,834	2,630,952
Net Position - Ending	<u>\$ 1,052,591</u>	<u>\$ 600,678</u>	<u>\$ 1,126,728</u>	<u>\$ 2,779,997</u>

The accompanying notes are an integral
part of the financial statements.

City of Idaho City, Idaho
Statement of Cash Flows -
Proprietary Funds
For the Year Ended September 30, 2018

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Water Bond	Total
Cash Flows From Operating Activities				
Cash Receipts From Customers	\$ 257,092	\$ 162,201	\$ 0	\$ 419,293
Other Cash Receipts	1,812	469	0	2,281
Payments to Employees for Services	(124,193)	(51,961)	0	(176,154)
Payments to Suppliers for Goods or Services	(122,530)	(78,051)	0	(200,581)
Net Cash Provided (Used) by Operating Activities	<u>12,181</u>	<u>32,658</u>	<u>0</u>	<u>44,839</u>
Cash Flows From Noncapital Financing Activities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Flows From Capital and Related Financing Activities				
Purchases and Construction of Capital Assets	(3,422)	(73,322)	(325,058)	(401,802)
Capital Contributions	0	9,680	165,894	175,574
Debt Proceeds	0	0	16,141	16,141
Principal Paid on Capital Debt	(18,990)	(1,922)	0	(20,912)
Interest Paid on Capital Debt	(9,990)	0	0	(9,990)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(32,402)</u>	<u>(65,564)</u>	<u>(143,023)</u>	<u>(240,989)</u>
Cash Flows From Investing Activities				
Interest and Dividends	<u>721</u>	<u>519</u>	<u>0</u>	<u>1,240</u>
Net Change in Cash and Cash Equivalents	(19,500)	(32,387)	(143,023)	(194,910)
Cash and Cash Equivalents - Beginning	<u>794,215</u>	<u>23,449</u>	<u>(80,598)</u>	<u>737,066</u>
Cash and Cash Equivalents - Ending	<u>\$ 774,715</u>	<u>\$ (8,938)</u>	<u>\$ (223,621)</u>	<u>\$ 542,156</u>
Displayed As:				
Cash and Cash Equivalents	\$ 515,093	\$ 0	\$ 0	\$ 515,093
Restricted Cash	27,063	0	0	27,063
Internal Balances	232,559	(8,938)	(223,621)	0
	<u>\$ 774,715</u>	<u>\$ (8,938)</u>	<u>\$ (223,621)</u>	<u>\$ 542,156</u>
Schedule of Noncash Transactions:				
Construction in progress incurred but not yet paid for	\$ 0	\$ 0	\$ 240	\$ 240

The accompanying notes are an integral part of the financial statements.

City of Idaho City, Idaho
Statement of Cash Flows -
Proprietary Funds (continued)
For the Year Ended September 30, 2018

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Water Bond	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (43,631)	\$ 27,724	\$ 0	\$ (15,907)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation	53,699	36,821	0	90,520
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(2,383)	(549)	0	(2,932)
(Increase) Decrease in Prepaid Items	(141)	(21)	0	(162)
(Increase) Decrease in Deferred Outflows - Pension	(10,370)	334	0	(10,036)
Increase (Decrease) in Accounts Payable	(511)	(32,931)	0	(33,442)
Increase (Decrease) in Salaries and Benefits Payable	(2,076)	(1,077)	0	(3,153)
Increase (Decrease) in Compensated Absences	714	308	0	1,022
Increase (Decrease) in Net Pension Liability	13,575	1,315	0	14,890
Increase (Decrease) in Deferred Inflows - Pension	3,305	734	0	4,039
Net Cash Provided (Used) by Operating Activities	<u>\$ 12,181</u>	<u>\$ 32,658</u>	<u>\$ 0</u>	<u>\$ 44,839</u>

The accompanying notes are an integral part of the financial statements.

City of Idaho City, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The accompanying financial statements present the activities of **City of Idaho City, Idaho** (the City), which has responsibility and control over all activities related to public safety; roads, streets, and parks; and water and sewer services within the City. The City receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the City is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Council members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the City's reporting entity does not contain any component units as defined by the Governmental Accounting Standards Board.

Basis of Presentation

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the financial activities of the City. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each activity of the business-type activities of the City and for each function of the City's governmental activities.

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.
- Indirect expenses of the general government related to the administration and support of the City's programs, such as personnel and accounting (but not interest on long-term debt) are allocated to programs based on their percentage of total primary government expenses. Interest expenses are allocated to the programs that manage the capital assets financed with long-term debt.
- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes and state formula aid, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category—*governmental and proprietary*—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

The City reports the following major governmental funds:

- *General fund.* This is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.
- *Roads and Streets fund.* This fund accounts for the activities related to the City's roads and streets.

Proprietary fund operating revenues and expenses are related to providing water and sewer services to the residents and businesses of the City and providing services to other parts of the City government.

City of Idaho City, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and expenses arising from capital and non-capital financing activities and from investing activities are presented as non-operating revenues or expenses.

The City reports the following major enterprise funds:

- *Water fund.* This fund accounts for the activities of the City's water supply system, pumping stations, and collection systems.
- *Sewer fund.* This fund accounts for the operations and collections of the City's sewer system.
- *Water Bond Fund.* This fund accounts for the activities of the City's water improvement project.

Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, intergovernmental revenues, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Intergovernmental revenues are recognized in the period of collection by other agencies.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

Fund Balance Reporting in Governmental Funds

Different measurement focuses and bases of accounting are used in the government-wide Statement of Net Position and in the governmental fund Balance Sheet.

The City uses the following fund balance categories in the governmental fund Balance Sheet:

- *Nonspendable.* Prepaid items that are permanently precluded from conversion to cash.
- *Restricted.* Balances constrained to a specific purpose by enabling legislation, external parties, or constitutional provisions.
- *Unassigned.* Balances available for any purpose.

The remaining fund balance classifications (committed and assigned) were not in use. However, if there had been committed funds, these amounts would have been decided by the City Council, the City's highest level of decision making authority, through a formal action, such as a resolution. The City Council would also have the authority to assign funds or authorize another official to do so.

City of Idaho City, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position/fund balance available for use. It is the City's intent to use restricted resources first, then unrestricted resources as they are needed.

There is also no formal policy regarding the use of committed, assigned, or unassigned fund balances. However, it is the City's intent that when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the City considers committed amounts to be reduced first, followed by assigned amounts, and then unassigned amounts.

Cash Equivalents

The City requires all cash belonging to the City to be placed in custody of the Clerk. A "Pooled Cash" concept is therefore used in maintaining the cash and investment accounts in the accounting records. Under this method, all cash is pooled for investment purposes and each fund has equity in the pooled amount. All amounts included in the pooled cash and investment accounts are considered to be cash and cash equivalents. Cash and cash equivalents are defined as investments with an original maturity of one year or less, and those funds in the local government investment pool. See Note 2.

Property Tax Calendar

The City levies its real property taxes through the county in September of each year based upon the assessed valuation as of the previous July. Property taxes are due in two installments on December 20 and June 20 and are considered delinquent on January 1 and July 1, at which time the property is subject to lien.

Capital Assets

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are shown below:

	Capitalization Policy	Depreciation Method	Estimated Useful Life
Buildings and Improvements	\$ 5,000	Straight-Line	15 - 40 Years
Equipment and Vehicles	\$ 5,000	Straight-Line	5 - 15 Years

General infrastructure assets acquired prior to October 2003 are not reported in the basic financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 2003.

Depreciation is used to allocate the actual or estimated historical cost of all capital assets over their estimated useful lives.

City of Idaho City, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Pensions

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Public Employee Retirement System of Idaho Base Plan (Base Plan) and additions to/deductions from the Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

2. CASH AND INVESTMENTS

Deposits

As of September 30, 2018, the carrying amount of the City's deposits were \$656,296 and the respective bank balances totaled \$717,314. \$250,000 of the total bank balance was insured or collateralized with pooled securities held by the pledging institution in the name of the City.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. As of September 30, 2018, \$467,314 of the City's deposits were not covered by the federal depository insurance or by collateral held by the City's agent or pledging financial institution's trust department or agent in the name of the City, and thus were exposed to custodial credit risk. The City does not have a formal policy limiting its exposure to custodial credit risk for deposits.

Custodial Credit Risk – Investments

Custodial credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The City does not have a formal policy limiting its custodial credit risk for investments.

Interest Rate Risk

The City does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

Investments

The City participates in the State of Idaho Investment Pool, which has not been rated. The pool is not registered with the Securities and Exchange Commission or any other regulatory body. Oversight of the pool is with the State Treasurer, and Idaho Code defines allowable investments. The value of the City's investment in the pool is reported in the accompanying financial statements at amounts based on the City's amortized cost deposited in the pool. Participants have overnight availability to their funds, up to

City of Idaho City, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

2. CASH AND INVESTMENTS (continued)

\$10 million. Withdrawals of more than \$10 million require 3 business day's notification. The State Treasurer does not provide any legally binding guarantees to support the value of the shares to participants. The City follows Idaho Statute that outlines qualifying investment options as follows:

Idaho Code authorizes the City to invest any available funds in obligations issued or guaranteed by the United States Treasury, the State of Idaho, local Idaho municipalities and taxing districts, the Farm Credit System, or Idaho public corporations, as well as time deposit accounts and repurchase agreements.

At year-end, the deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 191,497	\$ 464,799	\$ 656,296
Investments categorized as deposits	2,425	77,357	79,782
	\$ 193,922	\$ 542,156	\$ 736,078

3. LEASE REVENUE

The City leases a building to an independent taxing district and political division of the State of Idaho. The lease agreement will expire in February 2019. The lease may be renewed pending a new lease agreement between the City and the lessee. The City also began leasing the Fire Station to the newly formed Fired District for \$1,000 per year and the lease will expire in December 2019. Another lease exists between the City and Idaho Power for the lease of a storage shed. This is a year-to-year lease.

Lease payments to the City were \$2,600 for the year ended September 30, 2018. Future minimum lease revenues are:

Year Ending September 30,	Amount
2019	\$ 1,767
2020	1,333
2021	1,000
2022	1,000
2023	1,000
2024	333
	\$ 6,433

The cost and carrying amount of the leased buildings is shown below:

Cost	\$ 339,992
Accumulated Depreciation	(202,657)
Carrying Amount	\$ 137,335

City of Idaho City, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

4. DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of amounts due from Idaho DEQ of \$1,110, USDA Rural Development of \$6,753, Idaho State Historic Preservation of \$2,000, and from the State of Idaho for highway revenue tax of \$5,375, liquor apportionment of \$3,920, and state revenue sharing of \$5,521 for a total of \$24,679.

5. RISK MANAGEMENT

The City is exposed to a considerable number of risks of loss including, but not limited to, a) damage to and loss of property and contents, b) employee torts, c) professional liabilities, i.e. errors and omissions, d) environmental damage, e) worker's compensation, i.e. employee injuries, and f) medical insurance costs of its employees. Commercial insurance policies are purchased to transfer the risk of loss.

6. PENSION PLAN

Plan Description

The City contributes to the Base Plan, which is a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employee Retirement System of Idaho (PERSI or System) that covers substantially all employees of the State of Idaho, its agencies and various participating political subdivisions. The cost to administer the plan is financed through the contributions and investment earnings of the plan. PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

Responsibility for administration of the Base Plan is assigned to the Board comprised of five members appointed by the Governor and confirmed by the Idaho Senate. State law requires that two members of the Board be active Base Plan members with at least ten years of service and three members who are Idaho citizens and are not members of the Base Plan except by reason of having served on the Board.

Pension Benefits

The Base plan provides retirement, disability, death and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% (2.3% for police/firefighters) of the average monthly salary for the highest consecutive 42 months.

The benefit payments for the Base Plan are calculated using a benefit formula adopted by the Idaho Legislature. The Base Plan is required to provide a 1% minimum cost of living increase per year provided the Consumer Price Index increases 1% or more. The PERSI Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6%, whichever is less; however, any amount above the 1% minimum is subject to review by the Idaho Legislature.

Member and Employer Contributions

Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation. Contribution rates are determined by the PERSI Board within

City of Idaho City, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

6. PENSION PLAN (continued)

limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) that are adequate to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2018, it was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate as a percent of covered of covered payroll is set by the Retirement Board and was 11.32% for general employees and 11.66% for police and firefighters. The City's employer contributions were \$21,573 for the year ended September 30, 2018.

Pension Liabilities, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2018, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2018, the City's proportion was .0058245%.

For the year ended September 30, 2018, the City recognized pension expense of \$36,712. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,431	\$ 6,488
Changes in assumptions or other inputs	5,590	0
Net difference between projected and actual earnings on pension plan investments	0	9,546
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	61,574	0
City's contributions subsequent to the measurement date	4,838	0
Total	\$ 81,433	\$ 16,034

\$4,838 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2019.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2017, the beginning of the measurement period ended June 30, 2018 is 4.8 years and 4.9 years for the measurement period June 30, 2017.

City of Idaho City, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

6. PENSION PLAN (continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended September 30,		
2019	\$	26,466
2020	\$	20,305
2021	\$	11,059
2022	\$	2,731

Actuarial Assumptions

Valuations are based on actuarial assumptions, the benefit formulas, and employee groups. Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year's earnings of the individual between entry age and assumed exit age. The Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years.

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases including inflation	3.75%
Investment rate of return	7.05%, net of pension plan investment expense
Cost-of-living adjustments	1.00%

Mortality rates were based on the RP – 2000 combined table for healthy males or females, as appropriate with the following offsets:

- Set back three years for teachers
- No offset for male police and firefighters
- Forward one year for female police and firefighters
- Set back one year for all general employees and beneficiaries

An experience study was performed for the period July 1, 2011 through June 30, 2017, which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2018 for the period from July 1, 2013 through June 30, 2017. The total pension liability as of June 30, 2018 is based on the results of an actuarial valuation date of July 1, 2018.

The long-term expected rate of return on pension plan investments was determined using the building block approach and a forward-looking model in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

City of Idaho City, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

6. PENSION PLAN (continued)

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions. Specifically, the System uses consultants, investment managers, and trustees to develop capital market assumptions in analyzing the System's asset allocation. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of the System's assets.

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of January 1, 2018.

Asset Class	Target Allocation	Expected Nominal Rate of Return (Arithmetic)	Expected Real Rate of Return (Arithmetic)
Core Fixed Income	30.00%	3.05%	0.80%
Broad US Equities	55.00%	8.30%	6.05%
Developed Foreign Equities	15.00%	8.45%	6.20%
Assumed Inflation - Mean		2.25%	2.25%
Assumed Inflation - Standard Deviation		1.50%	1.50%
Portfolio Arithmetic Mean Return		6.75%	4.50%
Portfolio Standard Deviation		12.54%	12.54%
Portfolio Long-term (Geometric) Expected Rate of Return		6.13%	3.77%
Assumed Investment Expenses		0.40%	0.40%
Portfolio Long-term (Geometric) Expected Rate of Return, Net of Investment Expenses		5.73%	3.37%
Portfolio Long-term Expected Real Rate of Return, Net of Investment Expenses			4.19%
Portfolio Standard Deviation			14.16%
Valuation Assumptions Chosen by PERSI Board			
Long-term Expected Real Rate of Return, Net of Investment Expenses			4.05%
Assumed Inflation			3.00%
Long-term Expected Geometric Rate of Return, Net of Investment Expenses			<u>7.05%</u>

Discount Rate

The discount rate used to measure the total pension liability was 7.05%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit

City of Idaho City, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

6. PENSION PLAN (continued)

payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.05%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.05%) or 1% higher (8.05%) than the current rate:

	1% Decrease 6.05%	Current Discount Rate (7.05%)	1% Increase 8.05%
City's proportionate share of the net pension liability (asset)	\$ 215,058	\$ 85,912	\$ (21,026)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERSI financial report. PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

7. COMPENSATED ABSENCES

Vacation leave is granted to all regular City employees. In the event of termination, an employee is reimbursed for accumulated vacation leave. Changes in compensated absences for the year ended September 30, 2018, are as follows:

	10/1/2017	Increase	Decrease	9/30/2018	Current Portion
Governmental Activities	\$ 3,569	\$ 4,037	\$ (4,829)	\$ 2,777	\$ 2,777
Business-type Activities	6,275	9,989	(8,967)	7,297	7,297
	\$ 9,844	\$ 14,026	\$ (13,796)	\$ 10,074	\$ 10,074

8. INTERNAL BALANCES

Balances due to/from other funds at September 30, 2018, consist of the following:

\$ 8,938	Due to the Water fund from the Sewer fund, representing cash overdrafts.
223,621	Due to the Water fund from the Water Bond fund, representing cash overdrafts.
\$ 232,559	

City of Idaho City, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

9. LONG-TERM OBLIGATIONS

The City leases buildings and improvements under long term lease agreements. Certain leases have been recorded as municipal leases and others as operating leases. The municipal leases consist of a loader that is split between the funds and a grader in the Roads and Streets fund. The cost and related depreciation are as follows:

Equipment	\$ 133,598
Less: accumulated amortization (included as depreciation on the accompanying financial statements)	<u>(22,462)</u>
	<u>\$ 111,136</u>

Notes payable have also been issued to provide funds for sewer projects. A loan was entered into with DEQ during the 2012 fiscal year. As of September 30, 2018, \$2,432,285 had been drawn down with \$631,482 considered forgiven, leaving a net draw down of \$1,800,803. When the City is required to start making payments (when the project is complete), biannual installments will be due over 30 years, at 0% interest.

A summary of long-term debt activity for the year ended September 30, 2018, are as follows:

Governmental Activities:

<u>Debt Type</u>	<u>Maturity</u>	<u>Rate</u>	<u>Required Reserve</u>	<u>10/1/2017</u>	<u>Increase</u>	<u>Decrease</u>	<u>9/30/2018</u>	<u>Current Portion</u>
Grader Lease	2023	6.50%	N/A	0	\$ 49,738	\$ (7,162)	\$ 42,576	\$ 8,995
Backhoe Lease - (20% split)	2020	4.00%	N/A	8,266	0	(961)	7,305	1,000
				<u>\$ 8,266</u>	<u>\$ 49,738</u>	<u>\$ (8,123)</u>	<u>\$ 49,881</u>	<u>\$ 9,995</u>

Business-type Activities:

<u>Debt Type</u>	<u>Maturity</u>	<u>Rate</u>	<u>Required Reserve</u>	<u>10/1/2017</u>	<u>Increase</u>	<u>Decrease</u>	<u>9/30/2018</u>	<u>Current Portion</u>
Backhoe Lease - (80% split)	2020	4.00%	N/A	\$ 33,067	\$ 0	\$ (3,844)	\$ 29,223	\$ 4,000
N/P Water - RD 06	2026	4.50%	\$17,272	125,507	0	(11,620)	113,887	12,143
N/P Water - RD 08	2023	5.25%	2,142	9,611	0	(1,637)	7,974	1,723
N/P Water - RD 09	2032	4.75%	7,649	80,734	0	(3,811)	76,923	3,993
N/P Water Improvement - DEQ	N/A	N/A	N/A	1,784,662	16,141	0	1,800,803	0
				<u>\$27,063</u>	<u>\$2,033,581</u>	<u>\$16,141</u>	<u>\$2,028,810</u>	<u>\$21,859</u>

City of Idaho City, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

9. LONG-TERM OBLIGATIONS (continued)

Debt service requirements on long-term debt at September 30, 2018, are as follows:

Governmental Activities:

Year Ending September 30,	Municipal Leases		
	Principal	Interest	Total
2019	\$ 9,995	\$ 2,829	\$ 12,824
2020	15,900	1,973	17,873
2021	10,233	1,313	11,546
2022	10,915	631	11,546
2023	2,838	48	2,886
	\$ 49,881	\$ 6,794	\$ 56,675

Business-type Activities:

Year Ending September 30,	Bonds and Notes			Municipal Leases		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 17,859	\$ 9,204	\$ 27,063	\$ 4,000	\$ 1,113	\$ 5,113
2020	18,663	8,400	27,063	25,223	85	25,308
2021	19,550	7,513	27,063	0	0	0
2022	20,455	6,608	27,063	0	0	0
2023	19,809	5,664	25,473	0	0	0
2024-2028	75,139	14,957	90,096	0	0	0
2029-2032	27,309	3,230	30,539	0	0	0
	\$ 198,784	\$ 55,576	\$ 254,360	\$ 29,223	\$ 1,198	\$ 30,421

The amount of interest incurred and expensed on long-term obligations for the year ending September 30, 2018, for business-type activities was \$10,045.

10. LEASE COMMITMENTS

The City began leasing a copier under an operating lease in September 2015. The lease is for 60 months at \$190/mo. Future minimum lease payments are as follows:

Year Ending September 30,	Amount
2019	\$ 2,280
2020	2,090
	\$ 4,370

Lease expenditures for the year ended September 30, 2018, totaled \$2,396.

City of Idaho City, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

11. CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2018, was as follows:

Governmental Activities:

	10/1/2017	Additions	Disposals	9/30/2018
Capital Assets Not Being Depreciated:				
Land	\$ 95,660	\$ 0	\$ 0	\$ 95,660
Construction in Progress	0	2,095	0	2,095
	<u>95,660</u>	<u>2,095</u>	<u>0</u>	<u>97,755</u>
Capital Assets Being Depreciated:				
Buildings	584,992	0	0	584,992
Improvements	1,215,700	0	0	1,215,700
Equipment	141,948	59,238	(50,000)	151,186
Total Historical Cost	<u>1,942,640</u>	<u>59,238</u>	<u>(50,000)</u>	<u>1,951,878</u>
Less: Accumulated Depreciation				
Buildings	404,686	11,478	0	416,164
Improvements	389,392	39,237	0	428,629
Equipment	107,479	10,239	(49,985)	67,733
Total Acc. Depr.	<u>901,557</u>	<u>60,954</u>	<u>(49,985)</u>	<u>912,526</u>
Net Depreciable Assets	<u>1,041,083</u>	<u>(1,716)</u>	<u>(15)</u>	<u>1,039,352</u>
Governmental Activities				
Capital Assets - Net	<u>\$ 1,136,743</u>	<u>\$ 379</u>	<u>\$ (15)</u>	<u>\$ 1,137,107</u>

Depreciation expense was charged to the functions of the City as follows:

General Administration	\$ 2,776
Public Safety	13,833
Roads and Streets	3,373
Culture and Recreation	40,972
	<u>\$ 60,954</u>

Business-type Activities:

	10/1/2017	Additions	Disposals	9/30/2018
Capital Assets Not Being Depreciated:				
Land	\$ 71,741	\$ 0	\$ 0	\$ 71,741
Construction in Progress	2,841,866	330,031	0	3,171,897
	<u>2,913,607</u>	<u>330,031</u>	<u>0</u>	<u>3,243,638</u>
Capital Assets Being Depreciated:				
Buildings	1,817,673	0	0	1,817,673
Improvements	1,300,152	20,860	0	1,321,012
Equipment	163,384	48,775	0	212,159
Total Historical Cost	<u>3,281,209</u>	<u>69,635</u>	<u>0</u>	<u>3,350,844</u>

City of Idaho City, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

11. CAPITAL ASSETS (continued)

Less: Accumulated Depreciation

Buildings	1,441,646	44,068	0	1,485,714
Improvements	761,635	39,802	0	801,437
Equipment	<u>79,024</u>	<u>6,650</u>	<u>0</u>	<u>85,674</u>
Total Acc. Depr.	<u>2,282,305</u>	<u>90,520</u>	<u>0</u>	<u>2,372,825</u>
Net Depreciable Assets	<u>998,904</u>	<u>(20,885)</u>	<u>0</u>	<u>978,019</u>
Business-type Activities - Net	<u>\$ 3,912,511</u>	<u>\$ 309,146</u>	<u>\$ 0</u>	<u>\$ 4,221,657</u>

Depreciation expense was charged to the business-type activities of the City as follows:

Water	\$ 53,699
Sewer	<u>36,821</u>
	<u>\$ 90,520</u>

12. DISPOSAL OF GOVERNMENT OPERATIONS

Effective October 1, 2017, the City's fire department operations and the related assets were transferred to a newly formed fire district in order to better allocate property taxes to fire services within the new district's boundaries.

REQUIRED SUPPLEMENTARY INFORMATION

City of Idaho City, Idaho
 Schedule of Employer's Share of Net Pension Liability
 PERSI - Base Plan*
 Last 10 - Fiscal Years

	2018	2017
Employer's portion of the net pension liability	0.0058245%	0.0040908%
Employer's proportionate share of the net pension liability	\$ 85,912	\$ 64,300
Employer's covered payroll	\$ 189,187	\$ 165,549
Employer's proportional share of the net pension liability as a percentage of its covered payroll	45.41%	38.84%
Plan fiduciary net position as a percentage of the total pension liability	91.69%	90.68%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for the years the information is available.

Data reported is measured as of June 30, 2018.

City of Idaho City, Idaho
 Schedule of Employer Contributions
 PERSI - Base Plan*
 Last 10 - Fiscal Years

	2018	2017
Statutorily required contribution	\$ 21,573	\$ 18,861
Contributions in relation to the statutorily required contribution	(21,573)	(18,861)
Contribution (deficiency) excess	\$ 0	\$ 0
Employer's covered payroll	\$ 189,187	\$ 165,549
Contributions as a percentage of covered payroll	11.40%	11.39%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for the years the information is available.

Data is reported as of September 30, 2018.

City of Idaho City, Idaho
 Budgetary (GAAP Basis) Comparison Schedule
 General Fund
 For the Year Ended September 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Property Taxes	\$ 99,214	\$ 99,214	\$ 99,477	\$ 263
Licenses and Permits	8,965	8,965	9,053	88
Rents	4,000	4,000	7,175	3,175
Intergovernmental	53,604	53,604	55,038	1,434
Grants and Contributions	14,600	14,600	9,047	(5,553)
Interest	400	400	1,291	891
Other	33,825	33,825	18,640	(15,185)
Total Revenues	<u>214,608</u>	<u>214,608</u>	<u>199,721</u>	<u>(14,887)</u>
Expenditures				
Current:				
General Administration	98,440	98,440	94,344	4,096
Public Safety	101,168	101,168	108,411	(7,243)
Debt Service:				
Principal	0	0	240	(240)
Interest	0	0	80	(80)
Capital Outlay	39,500	39,500	16,221	23,279
Total Expenditures	<u>239,108</u>	<u>239,108</u>	<u>219,296</u>	<u>19,812</u>
Excess (Deficiency) of Revenues Over Expenditures				
	<u>(24,500)</u>	<u>(24,500)</u>	<u>(19,575)</u>	<u>4,925</u>
Other Financing Sources (Uses)				
Disposal of Capital Assets	2,500	2,500	2,200	(300)
Transfers Out	(8,000)	(8,000)	0	8,000
Total Other Financing Sources (Uses)	<u>(5,500)</u>	<u>(5,500)</u>	<u>2,200</u>	<u>7,700</u>
Special Items:				
Disposal of Government Operations	0	0	(18,566)	(18,566)
Net Change in Fund Balances	(30,000)	(30,000)	(35,941)	(5,941)
Fund Balances - Beginning	30,000	30,000	187,301	157,301
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 151,360</u>	<u>\$ 151,360</u>

City of Idaho City, Idaho
 Budgetary (GAAP Basis) Comparison Schedule
 Roads and Streets
 For the Year Ended September 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Property Taxes	\$ 33,453	\$ 33,453	\$ 38,670	\$ 5,217
Intergovernmental	20,804	20,804	23,105	2,301
Total Revenues	<u>54,257</u>	<u>54,257</u>	<u>61,775</u>	<u>7,518</u>
Expenditures				
Current:				
Personnel Services	19,408	19,408	21,797	(2,389)
Supplies and Other Charges	29,456	29,456	28,088	1,368
Debt Service:				
Principal	721	721	7,883	(7,162)
Interest	595	595	1,416	(821)
Capital Outlay	1,500	1,500	59,238	(57,738)
Contingency	17,577	17,577	359	17,218
Total Expenditures	<u>69,257</u>	<u>69,257</u>	<u>118,781</u>	<u>(49,524)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(15,000)</u>	<u>(15,000)</u>	<u>(57,006)</u>	<u>(42,006)</u>
Other Financing Sources (Uses)				
Debt Proceeds	0	0	49,738	49,738
Disposal of Capital Assets	0	0	9,500	9,500
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>59,238</u>	<u>59,238</u>
Net Change in Fund Balances	(15,000)	(15,000)	2,232	17,232
Fund Balances - Beginning	15,000	15,000	56,244	41,244
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 58,476</u>	<u>\$ 58,476</u>

City of Idaho City, Idaho
 Reconciliation of the Budgetary (GAAP Basis) Comparison Schedule to the
 Statement of Revenues, Expenditures, and Changes in Fund Balances - General Fund
 For the Year Ended September 30, 2018

	General	Culture and Recreation	Total
Revenues			
Property Taxes	\$ 99,477	\$ 0	\$ 99,477
Licenses and Permits	9,053	0	9,053
Rents	7,175	0	7,175
Intergovernmental	55,038	0	55,038
Grants and Contributions	9,047	0	9,047
Interest	1,291	0	1,291
Other	18,640	0	18,640
Total Revenues	199,721	0	199,721
Expenditures			
Current:			
General Administration	94,344	0	94,344
Public Safety	108,411	0	108,411
Culture and Recreation	0	1,892	1,892
Debt Service:			
Principal	240	0	240
Interest	80	0	80
Capital Outlay	6,126	0	6,126
Total Expenditures	209,201	1,892	211,093
Excess (Deficiency) of Revenues Over Expenditures	(9,480)	(1,892)	(11,372)
Other Financing Sources (Uses)			
Disposal of Capital Assets	2,200	0	2,200
Capital Contributions	(18,566)	0	(18,566)
Transfers In	0	10,095	10,095
Transfers Out	(10,095)	0	(10,095)
Total Other Financing Sources (Uses)	(26,461)	10,095	(16,366)
Net Change in Fund Balances	(35,941)	8,203	(27,738)
Fund Balances - Beginning	187,301	(8,403)	178,898
Fund Balances - Ending	\$ 151,360	\$ (200)	\$ 151,160

City of Idaho City, Idaho
Notes to Required Supplementary Information
For the Year Ended September 30, 2018

1. **BUDGETS AND BUDGETARY ACCOUNTING**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- A. Prior to September 1, the City Clerk, Mayor, and City Council prepare a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- B. Public hearings are conducted at the City Hall to obtain taxpayer comments.
- C. Prior to October 1, the budget is legally enacted through passage of an ordinance.
- D. The City is authorized to transfer budgeted amounts between departments within any fund; however, no revision can be made to increase the overall tax supported funds except when federal or state grants are approved. The City, however, must follow the same budgetary procedures as they followed when the original budget was approved. The budget for Enterprise funds may also be revised in the same manner as those situations involving federal and state grants.
- E. Formal budgetary integration is employed as a management control device during the year for the General fund and Special Revenue funds.

2. **RECONCILIATION TO FUND STATEMENT**

The City accounts for Culture and Recreation as a separate fund. According to the Governmental Accounting Standards Board, Culture and Recreation does not meet the requirements to be considered a special revenue fund. Therefore, in the fund statements, Culture and Recreation is included in the General fund. The City has provided a reconciliation on page 34 to show how these funds were combined.

3. **EXPENDITURES IN EXCESS OF APPROPRIATIONS**

Expenditures were in excess of appropriations in the Roads and Streets fund by \$49,524. This was a result of not amending the budget for additional revenues and the corresponding expenditures.

SUPPLEMENTAL INFORMATION

City of Idaho City, Idaho
Supplemental Schedule of Revenues by Source -
Budget (GAAP Basis) and Actual - General Fund
For the Year Ended September 30, 2018

	Budget	Actual	Variance
Taxes			
Property Taxes	\$ 97,314	\$ 96,458	\$ (856)
Penalties and Interest	1,900	3,019	1,119
Total Taxes	99,214	99,477	263
Licenses and Permits			
Beer Licenses	890	765	(125)
Liquor Licenses	675	725	50
Wine Licenses	600	600	0
Business Licenses	2,800	2,880	80
Building Permits	1,500	1,464	(36)
Vendor Permits	1,300	2,054	754
Catering Permits	200	140	(60)
Animal Licenses	1,000	425	(575)
Total Licenses and Permits	8,965	9,053	88
Rents	4,000	7,175	3,175
Intergovernmental			
State Liquor Apportionment	14,568	18,001	3,433
Court Revenue	10,000	6,000	(4,000)
State Sales Tax	10,093	10,942	849
State Revenue Sharing	18,943	20,095	1,152
Total Intergovernmental	53,604	55,038	1,434
Interest Earned	400	1,291	891
Other			
Cemetery Lots	2,000	1,042	(958)
Copy Fees	25	0	(25)
Franchise Fees	6,200	8,085	1,885
Donations	4,600	1,900	(2,700)
Grants	10,000	7,147	(2,853)
Law Contract	17,000	100	(16,900)
Fire Department Revenue	5,000	941	(4,059)
Other	3,600	8,472	4,872
Total Other	48,425	27,687	(20,738)
Other Financing Sources			
Disposal of Capital Assets	2,500	2,200	(300)
Total Other Financing Sources	2,500	2,200	(300)
Total Revenue	\$ 217,108	\$ 201,921	\$ (15,187)

City of Idaho City, Idaho
Supplemental Schedule of Expenditures by Object of Expenditure -
Budget (GAAP Basis) and Actual - General Fund
For the Year Ended September 30, 2018

	Budget	Actual	Variance
General Administration			
Personnel Services	\$ 27,843	\$ 20,722	\$ 7,121
Personnel Benefits	8,400	10,270	(1,870)
Legal and Professional	11,900	10,700	1,200
Supplies	21,289	6,975	14,314
Utilities	9,038	9,707	(669)
Insurance	640	783	(143)
Other Services and Charges	11,680	16,759	(5,079)
Repairs and Maintenance	7,500	18,428	(10,928)
Election	150	0	150
Capital Outlay	20,000	0	20,000
Total General Administration	118,440	94,344	24,096
Public Safety			
Law Enforcement			
Personnel Services	67,870	72,200	(4,330)
Personnel Benefits	18,858	20,377	(1,519)
Supplies	600	180	420
Insurance	3,040	3,468	(428)
Other Services and Charges	5,600	10,516	(4,916)
Repairs and Maintenance	200	180	20
Capital Outlay	19,500	6,126	13,374
Total Law Enforcement	115,668	113,047	2,621
Fire Department			
Personnel Benefits	0	19	(19)
Other Services and Charges	5,000	1,471	3,529
Total Fire Department	5,000	1,490	3,510
Total Public Safety	120,668	114,537	6,131
Debt Service			
Principal	0	240	(240)
Interest	0	80	(80)
Total Debt Service	0	320	(320)
Other Financing Uses			
Transfers Out	8,000	10,095	(2,095)
Special Items:			
Disposal of Government Operations	0	18,566	(18,566)
Total Expenditures	\$ 247,108	\$ 237,862	\$ 9,246

FEDERAL REPORT



Certified Public Accountants

James Washburn, CPA
Weston Flamm, CPA
Cassie Zattiero, CPA

812-B 12th Ave. South
P.O. Box 876
Nampa, ID 83653-0876
208 466-2493
FAX 208 467-2000
www.BaileyCPAs.com

**Independent Auditor’s Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance With *Government Auditing Standards***

To the City Council
City of Idaho City, Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of **City of Idaho City, Idaho** (the City), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City’s basic financial statement and have issued our report thereon dated June 24, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bailey & Co.

Nampa, Idaho
June 24, 2019